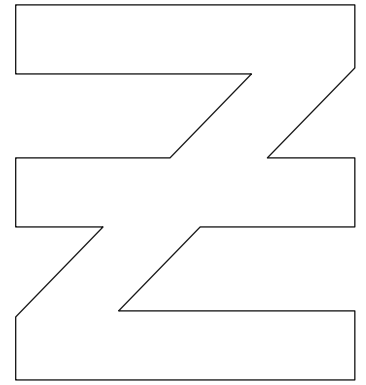


# Ellerston Global Equity Managers Fund (GEMS) Class C



## Monthly Newsletter, January 2023

### Investment Objective

To generate superior returns for unitholders with a focus on risk and capital preservation.

### Investment Strategy

The Fund provides investors with exposure to global markets through a long short equity strategy. The strategy overlays fundamental bottom-up stock selection with global macroeconomic and market outlook.

### Key Information

Inception Date ^^	1 December 2009
Portfolio Managers	Ashok Jacob & Arik Star
Application Price	\$1.5186
NAV Price	\$1.5148
Redemption Price	\$1.5110
Gross Exposure	169.39%
Net Exposure	82.03%
Unit Pricing	Monthly
Management Fee	1.50%
Performance Fee	16.50%
Buy/Sell Spread	0.25% on application 0.25% on redemption

### PERFORMANCE SUMMARY

Performance (Net)*	FYTD	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	10 Years (p.a.)	Since Inception (p.a.)^^
GEMS C	-3.5%	-2.7%	10.5%	6.1%	11.5%	10.8%

Source: Ellerston Capital.

\* The net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance.

### Performance

For the 3 Year period from January 31, 2020 to January 31, 2023, the compound annual returns for the Australian S&P/ASX 200 Total Return Index was +6.0%, the US S&P 500 Index was +9.9%, the Russell 2000 Index was +7.5% and MSCI World (Local) Index was +8.1%.

**Your Fund net after fees returned +10.5% pa.**

For the Month of January 2023, the Australian S&P/ASX 200 Index was up +6.2%, the US S&P 500 Index was up +6.3%, the Russell 2000 Index was up +9.7% and the MSCI World (Local) Index was up +6.5%.

**Your Fund returned net after fees +0.1%.**

### Portfolio Commentary

January's lower US CPI print, followed by Powell's lack of push back on easing financial conditions at the Jan/Feb FOMC Press Conference gave equity markets the green light to price in that inflation is over, the Fed is done and a *'soft landing'* will prevail. Equity markets viscously rotated back to the playbook of the prior decade, as *Animal Spirits* returned with a vengeance. In January the NASDAQ was +10.7%, MS Unprofitable Tech Basket +23.7%, and Bitcoin +38.8%.

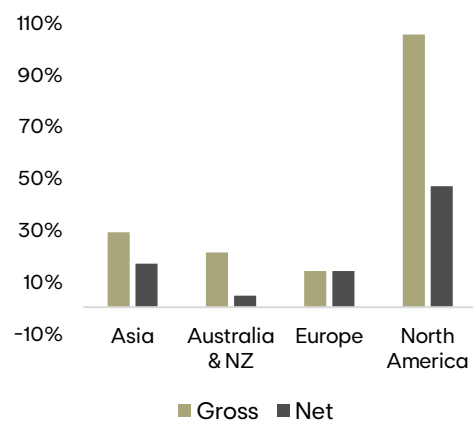
Dogecoin, +39.0%, rocketed back up to a market cap of US\$11.5 billion. Compare that to our holding in Olin, which owns structurally competitively advantaged Chlor-Alkali capacity, given a US natural gas input cost advantage. Olin has produced US\$3.1 billion of free cash flow over the past two years. Not US\$3.1 billion of revenue or Adjusted EBITDA or NPAT, but genuine free cash flow, the majority of which was used for boring things like share buybacks and dividends. Olin will do US\$1 billion of free cash flow in a trough recessionary year and has a market cap of US\$8.2 billion, which represents materially less than half of replacement value. Conversely, Dogecoin's utility is best summarised by its founders reddit post a few years ago:

*"I am Billy Markus, the original creator of Dogecoin. As you may have heard, it was indeed created for sillies after Jackson Palmer made an flippant tweet about it that idea being the 'next big thing' and I threw it together, without any expectation or plan. It took about 3 hours to make, with the bulk of that time making alterations to the client to make the text Comic Sans and some custom graphics and wording for different pieces of the UI."*

Our long book performance was satisfactory in January, however, it was effectively offset completely by index hedging and shorts in low quality business models that disproportionately benefitted from the return of animal spirits. This rapid shift in market pricing seems to be fuelling a growing disconnect as equity markets appear to be looking through to a Fed rate cutting cycle, whilst also dismissing the economic and earnings contractions that will likely be necessary first to lead to said rate cuts. We remain cautious as the equity market is now pricing an almost perfect disinflationary soft landing, creating an unfavourable risk/reward skew, given the range of other potential scenarios that exist.

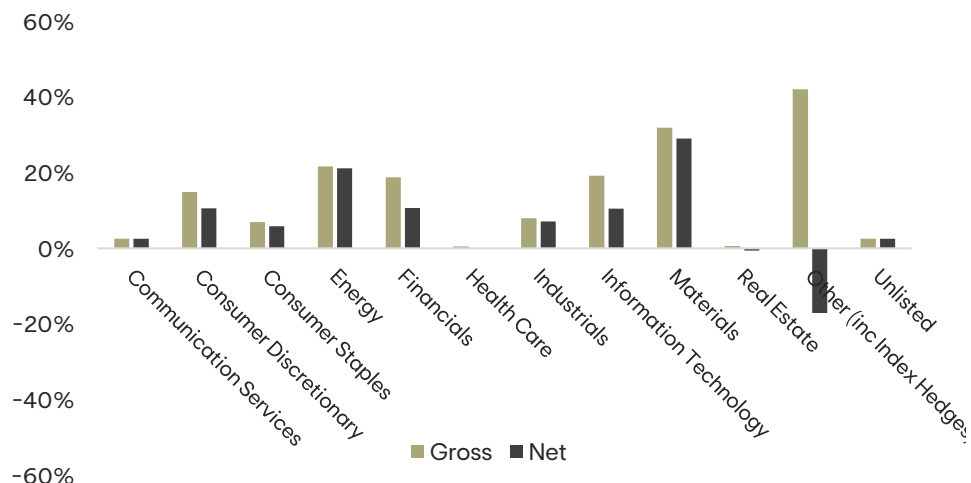
## PORTFOLIO CHARACTERISTICS

### Region Exposure



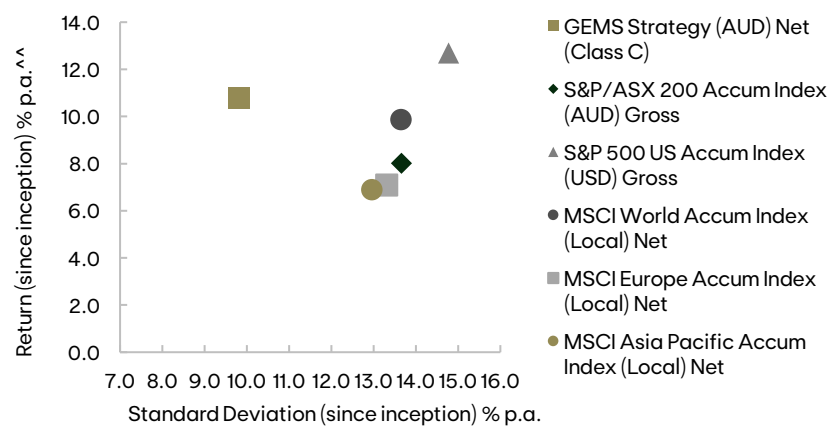
Source: Ellerston Capital.

### Sector Exposure



Source: Ellerston Capital.

### GEMS Strategy Performance & Volatility^^



Source: Ellerston Capital.

Past performance is not a reliable indication of future performance.

^^Inception Date 1 December 2009.

### Top 10 Holdings (Alphabetical, Long Only)

- BOOKING HOLDINGS
- CALUMET SPECIALTY PRODUCTS PARTNERS
- CELSIUS HOLDINGS
- FLUTTER ENTERTAINMENT
- GOLAR LNG
- LIGHT AND WONDER
- LYNAS CORP
- OLIN CORP
- SOITEC
- YELLOW CAKE

Source: Ellerston Capital.

### Regulatory Guide (RG240) Fund Disclosure Benchmark – Periodic Reporting (monthly)

- **Net Asset Value of the Fund and Redemption Price of Units**

Please refer to details on P1.

- **Any changes to key service providers including any change in related party status**

There have been no changes to key service providers, including any change in related party status.

- **Net returns after fees, costs and relevant taxes**

Please refer to details on P1.

- **Any material changes to the Fund's risk profile and strategy**

There have been no changes to the Fund's risk profile and strategy.

- **Any material changes related to the primary investment personnel responsible for managing the Fund**

Please refer to details on P1; there have been no changes to the primary investment personnel responsible for managing the Fund

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## Contact Us

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## Find out more

Should investors have any questions or queries regarding the Fund, please contact our Investor Relations team on **02 9021 7701** or **[info@ellerstoncapital.com](mailto:info@ellerstoncapital.com)** or visit us at **[ellerstoncapital.com](http://ellerstoncapital.com)**

All holdings enquiries should be directed to our register, Automic Group on 1300 101 595 or [ellerstonfunds@automicgroup.com.au](mailto:ellerstonfunds@automicgroup.com.au).

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<sup>^</sup> Actual performance for your account may vary from that set out in this newsletter and will vary for investments made in different classes, or at different times throughout the year. Some performance data is estimated and preliminary and subject to change.

# The standard deviation is often used by investors to measure the risk of an asset. The standard deviation is a measure of volatility; the more an asset's returns vary from the average return, the more volatile the asset. A higher standard deviation means a greater potential for deviation of return from the average return of the asset. The returns and risk of the Fund and the relevant Indices are net of taxes, fees and expenses and assuming distributions are reinvested. The performance figures presented are for the Ellerston Global Equity Managers Fund GEMS C Units. The one month return figure may be an estimate and not the final return. This estimate also impacts other performance information provided. Estimated performance figures are preliminary and subject to change. Returns for other classes may differ slightly. Past performance is not indicative of future performance. This report has been prepared by Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000, as the responsible entity of the Ellerston Global Equity Managers Fund ARSN 118 887 095 without taking account the objectives, financial situation or needs of individuals. Before making an investment decision about the Fund persons should read the Fund's Product Disclosure Statement and Target Market Determination (TMD) which can be obtained from the Manager's website [www.ellerstoncapital.com](http://www.ellerstoncapital.com) or by contacting [info@ellerstoncapital.com](mailto:info@ellerstoncapital.com) and obtain advice from an appropriate financial adviser. Units in the Fund are issued by Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000. This information is current as at the date on the first page. This material has been prepared based on information believed to be accurate at the time of publication. Assumptions and estimates may have been made which may prove not to be accurate. Ellerston Capital undertakes no responsibility to correct any such inaccuracy. Subsequent changes in circumstances may occur at any time and may impact the accuracy of the information. To the full extent permitted by law, none of Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000, or any member of the Ellerston Capital Limited Group of companies makes any warranty as to the accuracy or completeness of the information in this newsletter and disclaims all liability that may arise due to any information contained in this newsletter being inaccurate, unreliable or incomplete. Past performance is not a reliable indicator of future performance.